

LAW OFFICES OF SCOTT A. STEINBERG

Proposed Attorney for the Debtor

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re:

r4 VASCULAR, INC.,

Chapter 11

Case No. 13-12409 (SCC)

Debtor.

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DECLARATION OF JAY STURM
PURSUANT TO LOCAL BANKRUPTCY RULE 1007-2

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

JAY STURM, being duly sworn, deposes and says:

1. I am the Secretary of r4 Vascular, Inc. (the "Debtor"), a Delaware corporation with an address at 1270 Avenue of the Americas, Suite 302, New York, N.Y. 10020. Pursuant to Bankruptcy Rule 1007(d) and Local Rule of this Court 1007-2, the Debtor provides the following information.

Local Rule 1007-2(a)(1)

2. The Debtor owns and operates a medical device development business specializing in peripheral vascular access products that are sold either via direct sales or through distributors. The Debtor combines innovative design and manufacturing supervision with an

intimate knowledge of the needs of patients, oncologists, interventional radiologists, surgeons, and nurses to create specialized premium access vascular products. These products help clinicians access patient vasculature, and effectively maintain access for delivering chemotherapy, blood products, antibiotics, drugs or nutrition.

3. The Debtor's employees and contractors represent in-depth experience in the medical device industry, with unrivaled experience and insight in vascular access.

4. The Debtor's products include the Zeus biomimetically coated, peripherally inserted central catheter ("PICC"), which is the first Biomimetic coated PICC on the market, and the first non-valved saline-maintainable PICC. The Biomimetic coating on inner and outer surfaces mimics vessel tissue; is non-eluting and allows heparin free maintenance and reduces thrombosis accumulation. The biomimetic coating does not change over time, and the PICC may remain indwelling for longer periods of time because thrombosis accumulation is reduced and less pressure is required to clear thrombosis.

5. The Debtor also developed and manufactures the Pegasus CT PICC line, which is the Debtor's uncoated power injectable PICC for patients who may not need a biomimetic coated PICC. It incorporates a novel hub that allows the clinician to suture anywhere along the patient pending hub, or use of a sutureless system for secure placement. This small feature simplifies catheter placement and gives the Debtor's PICC distinct adaptability in a wide range of placements. The power injection line is an important adjunct for injection of fluids like contrast media for diagnostic imaging. Additionally, the multiple lumen design of the Debtor's catheters helps reduce needle sticks for greater patient comfort and safety. More lumens may also lessen access procedures by the clinician and care-giver – important goals for intravenous access.

6. Another device developed, but not released, by the Debtor is DrainEx, a rapid

exchange drainage catheter. DrainEx is a kink resistant polyurethane catheter with a patent pending rapid exchange lumen, and built in suture cutting cleat that enables a single clinician to lock the catheter without needing a second set of hands. Because drainage catheters sometimes fail because of occlusion, replacement procedures routinely take longer to exchange out and often need a more invasive replacement catheter. The Debtor's exchange lumen should reduce hospital costs and allow for a quick exchange of the failed catheters.

7. Other products developed and manufactured by the Debtor include Duraspan, a biomimetically coated dialysis catheter which allows for access and flow for the long term. Duraspan's non-eluting biomimetic coating brings increased reliability and performance to long term dialysis access. The Debtor also developed the Pherocious CT Apheresis Catheter, which has been described as the new standard for addressing the challenges of long term apheresis. Finally, the Debtor manufactures numerous accessories for catheter placement and maintenance.

8. Importantly, due to poor market acceptance of the Debtor's catheter products, and an unexpected product recall of its Duraspan catheter due to manufacturing issues, the Debtor ceased sales of its entire catheter line early in the second quarter of 2012. The Debtor's financial difficulties are due to the cessation of sales of its catheter line; thus its inability to cover operating expenses. As a result, the Debtor's senior secured creditor found itself with a significant equity investment in the company and essentially zero sales to cover operating costs.

9. Beginning in 2009, Debtor began development of an ultra-high-pressure Percutaneous Transluminal Angioplasty (coronary) balloon catheter, trade named "Vector" that was designed to be used in dilating calcified lesions in patient vasculature. Debtor's corporate strategy was to diversify its business away from the catheter products described above – and that sales from the catheter products would provide cash flow to cover the cost of the Vector

development program. Unfortunately, this was not the case and the pursuit of the Vector development program resulted in significant expenditures of Debtor's capital and the Debtor was also required to raise substantial additional capital, which the senior creditor provided in the form of a secured line of credit in July 2010.

10. The course of the Vector development program was tortuous, taking far longer and costing far more than anticipated. However, submission to the FDA was achieved in late 2010, and based on anticipated FDA approval of the Vector coronary balloon catheter Debtor began the process of marketing the company in whole or in parts (e.g. offering to split Debtor's Vector product from its non-balloon catheter product lines.) The Debtor had three significant indications of interest at reasonable valuations over the course of the next 18 months – all of which were terminated without sale.

11. With three failed sale attempts, the secured creditor decided to stop funding the Debtor. Further, having exhausted all other sales opportunities, Debtor made the decision to accept the only bid that passed due diligence review – for Debtor's non-balloon catheter related intellectual property (i.e. two 510K FDA approvals associated with certain of the peripheral access catheter products). In April 2013 the Debtor sold this intellectual property to C.R. Bard for \$500,000. As of July 2013, the funds received from this sale have been almost fully expended on overhead, and without a source of continued financing, the Debtor had no choice but to file for relief under Chapter 11.

Local Rule 1007-2(a)(2)

12. This case was not originally commenced under Chapter 7 or 13 of the Bankruptcy Code.

Local Rule 1007-2(a)(3)

13. Upon information and belief, no committee was organized prior to the order for relief in this Chapter 11 case.

Local Rule 1007-2(a)(4)

14. The names and addresses of the twenty (20) largest unsecured creditors excluding (i) those creditors who or which would not be entitled to vote at a creditors' meeting under 11 U.S.C. Section 702; (ii) such creditors who were employees of the Debtor at the time of the filing of its petition for reorganization; and (iii) creditors who are "insiders" as that term is defined in 11 U.S.C. Section 101(31) are annexed hereto as **Exhibit "A"**.

Local Rule 1007-2(a)(5)

15. A list of the Debtor's five largest secured creditors is annexed hereto as **Exhibit "B"**.

Local Rule 1007-2(a)(6)

16. A summary of the Debtor's assets and liabilities is annexed as **Exhibit "C"**.

Local Rule 1007-2(a)(7)

17. The Debtor does not have any publicly held shares of stock, debentures or other securities.

Local Rule 1007-2(a)(8)

18. None of the Debtor's property is in the possession or custody of any custodian, public officer, mortgagee, pledge, assignee of rents, or secured creditor, or any agent for such entity. Some of the Debtor's inventory is in the possession of Banta Global Turnkey Ltd., an unsecured creditor of the Debtor.

Local Rule 1007-3(a)(9)

19. The Debtor operates its business at premises located at 1270 Avenue of the

Americas, Suite 302, New York, N.Y. 10020 and at 7550 Meridian Circle N, #150, Maple Grove, Minnesota 55369 pursuant to the terms of a lease between Liberty Property Trust, 10400 Viking Drive, Suite 130, Eden Prairie, Minnesota 55344, as landlord and the Debtor as tenant.

Local Rule 1007-2(a)(10)

20. The Debtor's substantial assets are located at (i) 1270 Avenue of the Americas, New York, New York; (ii) 7550 Meridian Circle N, #150, Maple Grove, Minnesota 55369 and (iii) at the premises of Banta Global Turnkey Ltd., a creditor of the Debtor.

Local Rule 1007-2(a)(11)

21. As of the Filing Date, the Debtor was not a party to any litigation.

Local Rule 1007-2(a)(12)

22. The Debtor's senior management is comprised of Steven Jacobs, the President of the Debtor and Jay Sturm, the Secretary of the Debtor. Mr. Jacobs oversees the day-to-day operations of the business.

Local Rule 1007-2(b)(1)

23. The estimated total payroll to employees (exclusive of officers, directors and shareholders) for the thirty (30) day period following the filing of the chapter 11 petition is approximately \$ 11,000.00.

Local Rule 1007-2(b)(2)

24. The estimated amount to be paid for services to its officers, directors and shareholders for the thirty (30) day period following the filing of the Chapter 11 petition is approximately \$ 3,000.00.

Local Rule 1007-2(b)(3)

25. The estimated schedule of cash receipts and disbursements for the thirty (30) day

period following the filing of the Chapter 11 petition is attached hereto as **Exhibit "D"**.

Conclusion

26. In addition to the foregoing, a list of all shareholders, directors and officers is annexed as **Exhibit "E"**.

27. A copy of the corporate resolution authorizing the filing of this Chapter 11 case is annexed hereto as **Exhibit "F"**.

28. The Debtor believes it is in the best interests of all of its creditors that it be afforded an opportunity to refinance and reorganize its obligations in Chapter 11.

29. The needs and interests of the Debtor and its creditors will best be served by the Debtor's possession of its assets and management of its affairs as a Debtor-in-Possession under Chapter 11 until confirmation of a reorganization plan.

30. Pursuant to 28 U.S.C. § 1746, I declare under the penalty of perjury that the foregoing is true and correct.

New York, New York
July 24, 2013

/s/ Jay Sturm
Jay Sturm, Secretary

EXHIBIT "A"

TWENTY LARGEST UNSECURED CREDITORS*

See Attached

* List does not include insiders within the meaning of 11 U.S.C. Section 101 (14)

B4 (Official Form 4) (12/07)

United States Bankruptcy Court
Southern District of New York

In re **r4 Vascular, Inc.**

Debtor(s)

Case No.

Chapter **11**

LIST OF CREDITORS HOLDING 20 LARGEST UNSECURED CLAIMS

Following is the list of the debtor's creditors holding the 20 largest unsecured claims. The list is prepared in accordance with Fed. R. Bankr. P. 1007(d) for filing in this chapter 11 [or chapter 9] case. The list does not include (1) persons who come within the definition of "insider" set forth in 11 U.S.C. § 101, or (2) secured creditors unless the value of the collateral is such that the unsecured deficiency places the creditor among the holders of the 20 largest unsecured claims. If a minor child is one of the creditors holding the 20 largest unsecured claims, state the child's initials and the name and address of the child's parent or guardian, such as "A.B., a minor child, by John Doe, guardian." Do not disclose the child's name. See 11 U.S.C. § 112; Fed. R. Bankr. P. 1007(m).

(1) <i>Name of creditor and complete mailing address including zip code</i>	(2) <i>Name, telephone number and complete mailing address, including zip code, of employee, agent, or department of creditor familiar with claim who may be contacted</i>	(3) <i>Nature of claim (trade debt, bank loan, government contract, etc.)</i>	(4) <i>Indicate if claim is contingent, unliquidated, disputed, or subject to setoff</i>	(5) <i>Amount of claim [if secured, also state value of security]</i>
Babian CPA Associates 9 East 40th Street #301 New York, NY 10016-0402	Babian CPA Associates 9 East 40th Street #301 New York, NY 10016-0402	Accounting Services		8,053.44
Cooley LLP 101 California 5th Floor San Francisco, CA 94111-5800	Cooley LLP 101 California 5th Floor San Francisco, CA 94111-5800	Legal Services		198.00
DLA Piper LLP P.O. Box 64029 Baltimore, MD 21264-0001	DLA Piper LLP P.O. Box 64029 Baltimore, MD 21264-0001	Legal Services	Disputed	212,416.64
Fast Forward Medical 14800 28th Ave. N Suite 150 Plymouth, MN 55447	Fast Forward Medical 14800 28th Ave. N Suite 150 Plymouth, MN 55447	Trade Debt		89,664.86
Grand Avenue Software, Inc. 180 5th Street E Suite 256 Saint Paul, MN 55101-1844	Grand Avenue Software, Inc. 180 5th Street E Suite 256 Saint Paul, MN 55101-1844	Trade Debt		2,531.96
Health Line International 803 N 1250 W Suite 1 Centerville, UT 84014-1387	Health Line International 803 N 1250 W Suite 1 Centerville, UT 84014-1387	Trade Debt		78,037.00
Medical Device Evaluation Ctr. 803 N 300 W Salt Lake City, UT 84103-1414	Medical Device Evaluation Ctr. 803 N 300 W Salt Lake City, UT 84103-1414	Trade Debt		12,160.00
RR Donnelley P.O. Box 905151 Charlotte, NC 28290-5151	RR Donnelley P.O. Box 905151 Charlotte, NC 28290-5151	Trade Debt - Venue Services		7,648.20

B4 (Official Form 4) (12/07) - Cont.

In re **r4 Vascular, Inc.**

Case No. _____

Debtor(s) _____

LIST OF CREDITORS HOLDING 20 LARGEST UNSECURED CLAIMS
(Continuation Sheet)

(1) <i>Name of creditor and complete mailing address including zip code</i>	(2) <i>Name, telephone number and complete mailing address, including zip code, of employee, agent, or department of creditor familiar with claim who may be contacted</i>	(3) <i>Nature of claim (trade debt, bank loan, government contract, etc.)</i>	(4) <i>Indicate if claim is contingent, unliquidated, disputed, or subject to setoff</i>	(5) <i>Amount of claim [if secured, also state value of security]</i>
RR Donnelley P.O. Box 846299 Dallas, TX 75284-0001	RR Donnelley P.O. Box 846299 Dallas, TX 75284-0001	Trade Debt - Global Turnkey Solutions		374,437.54

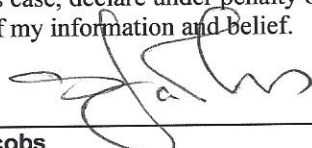
**DECLARATION UNDER PENALTY OF PERJURY
ON BEHALF OF A CORPORATION OR PARTNERSHIP**

I, the President of the corporation named as the debtor in this case, declare under penalty of perjury that I have read the foregoing list and that it is true and correct to the best of my information and belief.

Date

22 July 2013

Signature


Steven Jacobs
President

Penalty for making a false statement or concealing property: Fine of up to \$500,000 or imprisonment for up to 5 years or both.
18 U.S.C. §§ 152 and 3571.

EXHIBIT "B"

5 LARGEST SECURED CREDITORS*

<u>Creditor</u>	<u>Amount</u>
White Sand Beach LLC c/o Robinson Brog Leinwand Greene Genovese & Gluck 875 Third Avenue, 9 th Floor New York, New York 10020 Attn: A. Mitchell Greene	\$8,956,502.80

* Does not include the holders of equipment leases.

EXHIBIT "C"

SUMMARY OF ASSETS AND LIABILITIES

See Attached

r4 Vascular, Inc.

Balance Sheet

	Jun 30, 13	Jul 18, 13
ASSETS		
Current Assets		
Checking/Savings		
10110 · Checking - BMO Harris Bank	176,572.97	96,616.11
10210 · Money Market - BMO Harris Bank	25,436.08	25,436.08
10400 · RRD Prepay Account	6,825.87	0.00
Total Checking/Savings	208,834.92	122,052.19
Accounts Receivable		
12000 · Accounts Receivable - Trade	10,000.00	1,000.00
Total Accounts Receivable	10,000.00	1,000.00
Other Current Assets		
13 · Inventory		
13000 · FG Inventory - PICC	361,178.03	361,178.03
13020 · FG Inventory - Dialysis	184,062.50	184,062.50
13040 · FG Inventory - Apheresis	36,281.00	36,281.00
13050 · FG Inventory - Access	17,527.00	17,527.00
13060 · FG Inventory - Drainage	21,560.00	21,560.00
13080 · FG Inventory - Other	3,828.00	3,828.00
13800 · Component Inventory @ RRD	219,466.38	219,466.38
13850 · RM Inventory	808,080.65	808,080.65
13900 · Inventory Reserve	-479,811.93	-479,811.93
Total 13 · Inventory	1,172,171.63	1,172,171.63
15100 · Prepaids	10,233.00	10,233.00
Total Other Current Assets	1,182,404.63	1,182,404.63
Total Current Assets	1,401,239.55	1,305,456.82
Fixed Assets		
16100 · Computer Equipment	62,462.27	62,462.27
16110 · Equipment	317,892.83	317,892.83
16120 · Furniture & Fixtures	28,955.53	28,955.53
16130 · Software	16,710.59	16,710.59
16900 · Fixed Asset Holding Account	80,875.00	80,875.00
17100 · Accum Depr - Computer Equipment	-62,462.27	-62,462.27
17110 · Accum Depr - Equipment	-261,788.37	-261,788.37
17120 · Accum Depr-Furniture & Fixtures	-21,060.66	-21,060.66
17130 · Accum Depr - Software	-16,710.59	-16,710.59
Total Fixed Assets	144,874.33	144,874.33
Other Assets		
18100 · Patents	270,470.68	195,993.63

18120 · Trademarks	2,130.84	2,130.84
18130 · Accum Amort- Trademarks	-2,130.84	-2,130.84
Total Other Assets	270,470.68	195,993.63
TOTAL ASSETS	1,816,584.56	1,646,324.78
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable		
20000 · Accounts Payable	2,431,142.61	2,413,752.06
Total Accounts Payable	2,431,142.61	2,413,752.06
Other Current Liabilities		
20050 · Accrued Inventory Liability-RRD	310,751.14	310,751.14
20200 · Accrued Royalties Payable	1,589.34	1,589.34
20300 · Notes Payable, Current - Loan 1	666,241.00	666,241.00
20310 · Notes Payable, Current - Loan 2	6,613,500.00	6,613,500.00
20330 · Warrant Liability	2,232,712.00	2,232,712.00
Total Other Current Liabilities	9,824,793.48	9,824,793.48
Total Current Liabilities	12,255,936.09	12,238,545.54
Total Liabilities	12,255,936.09	12,238,545.54
Equity		
30100 · Preferred Stock - Series A	1,423.00	1,423.00
30110 · Preferred Stock - Series B	3,764.71	3,764.71
30120 · Preferred Stock - Series C	8,038.10	8,038.10
30130 · Common Stock	5,607.00	5,607.00
30200 · APIC - Preferred Stock Series A	1,108,799.45	1,108,799.45
30210 · APIC - Preferred Stock Series B	2,359,190.29	2,359,190.29
30220 · APIC - Preferred Stock Series C	4,795,681.53	4,795,681.53
30230 · APIC - Common Stock	486,497.02	486,497.02
30900 · Retained Earnings	-18,276,952.63	-18,276,952.63
Net Income	-931,400.00	-1,084,269.23
Total Equity	-10,439,351.53	-10,592,220.76
TOTAL LIABILITIES & EQUITY	1,816,584.56	1,646,324.78

EXHIBIT "D"

**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS FOR THE THIRTY DAY
PERIOD FOLLOWING FILING OF THE CHAPTER 11 PETITION**

Total Cash Receipts:	\$1,000.00
Disbursements:	
Employee Payroll:	\$11,000.00
Officer Payroll:	\$3,000.00
Operations:	\$22,375.00
Product Development:	\$79,500.00
Total Disbursements:	\$115,875.00
Operating Income:	<u>(\$114,875.00)</u>

r4 Vascular, Inc.

90-Day Cash Flow Projection

Description	Month 1	Month 2	Month 3
PEOPLE			
Payroll - Officers	\$3,000	\$3,000	\$3,000
Payroll - Hourly Employees - 2 FT + 1 PT	\$11,000	\$11,000	\$11,000
Subtotal People	<u>\$14,000</u>	<u>\$14,000</u>	<u>\$14,000</u>
OPERATING			
Rent	\$10,338	\$10,338	\$10,338
Utilities - Gas, Electric, Telephone	\$1,100	\$1,100	\$1,100
Bank Fees	\$50	\$50	\$50
Payroll Fees	\$145	\$145	\$145
Blue Cross	\$1,317	\$1,317	\$1,317
Janitorial	\$275	\$275	\$275
FedEx	\$150	\$150	\$150
Travelers Insurance - Worker's Comp, Property, Umbrella	\$4,000	\$4,000	\$4,000
Contingency	\$5,000	\$5,000	\$5,000
Subtotal Operating	<u>\$22,375</u>	<u>\$22,375</u>	<u>\$22,375</u>
PRODUCT DEVELOPMENT			
Allex Consulting	\$15,000	\$15,000	\$15,000
Honkanen Consulting	\$4,500	\$4,500	\$4,500
Balloon Development (Fast Forward)	\$55,000	\$55,000	\$55,000
Contingency	\$5,000	\$5,000	\$5,000
Subtotal Product Development	<u>\$79,500</u>	<u>\$79,500</u>	<u>\$79,500</u>
	<u><u>\$115,875</u></u>	<u><u>\$115,875</u></u>	<u><u>\$115,875</u></u>

EXHIBIT "E"

Officers: President – Steven Jacobs
Secretary – Jay Sturm

Shareholders: See Schedules.

Directors: Jeff Williams
Bob Mitchell
Dr. Richard Sweet

EXHIBIT "F"

CORPORATE RESOLUTION

SEE ATTACHED

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

-----X
In re:

Chapter 11

r4 Vascular, Inc.

Case No. 13-

Debtor.

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CERTIFICATE OF RESOLUTION

I, the undersigned, Secretary of **r4 Vascular, Inc.** ("the "Corporation"), do hereby certify that at a meeting of the Board of Directors of the Corporation duly called and held on the 19th day of July, 2013, the following resolutions were adopted and recorded in the Minute Book of the Corporation, and they have not been modified or rescinded, and are still in full force and effect:

"RESOLVED, that in the judgment of the Board of Directors, it is desirable and in the best interest of this Corporation, its Creditors, and other interested parties, that a Petition be filed by this Corporation under the Provisions of Chapter 11 of the Bankruptcy Code; and it was further

"RESOLVED, that the form of Petition under said Chapter 11 presented to this meeting be, and the same hereby is, approved and adopted in all respects, and that Steve Jacobs, as President of this Corporation, is authorized to Execute and verify a Petition substantially in such form and to cause the same to be filed with the United States Bankruptcy Court for the Southern District of New York at such time as he shall determine; and it was further

"RESOLVED, that Steve Jacobs, as President of this Corporation be, and he hereby is, authorized to execute and file all Petitions, reorganization schedules, lists and other papers and to take any and all action which he may deem necessary or proper in connection with such Chapter 11 Case, and, in that connection, that the Law Offices of Scott A. Steinberg be retained and employed as legal counsel for the Corporation under a general retainer, in addition to such special counsel as may hereafter become necessary or proper with a view to the successful termination of such Chapter 11 Case."

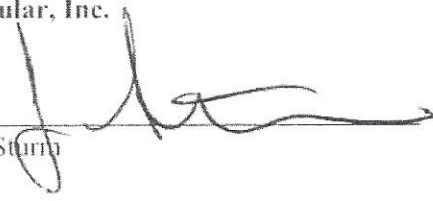
IN WITNESS WHEREOF, I have hereunto set my hand and seal of the Corporation this

19th day of July, 2013.

r4 Vascular, Inc.

By: _____

Jay Sturm

A handwritten signature in black ink, appearing to read "Jay Sturm", is written over a horizontal line. The signature is stylized with a large initial "J" and a long, sweeping horizontal stroke at the end.